

# *Destination Central America:*

Latin America's Newest Emerging Market



Expo Manufactura

March 8, 2006

# Topics

- Central America at a Glance
- Why Export to Central America?
- Myths vs. Reality – Then and Now
- Central America – Trade Data
- The “CA-5” in Brief
- CAFTA-DR
- Programs / Services in Central America

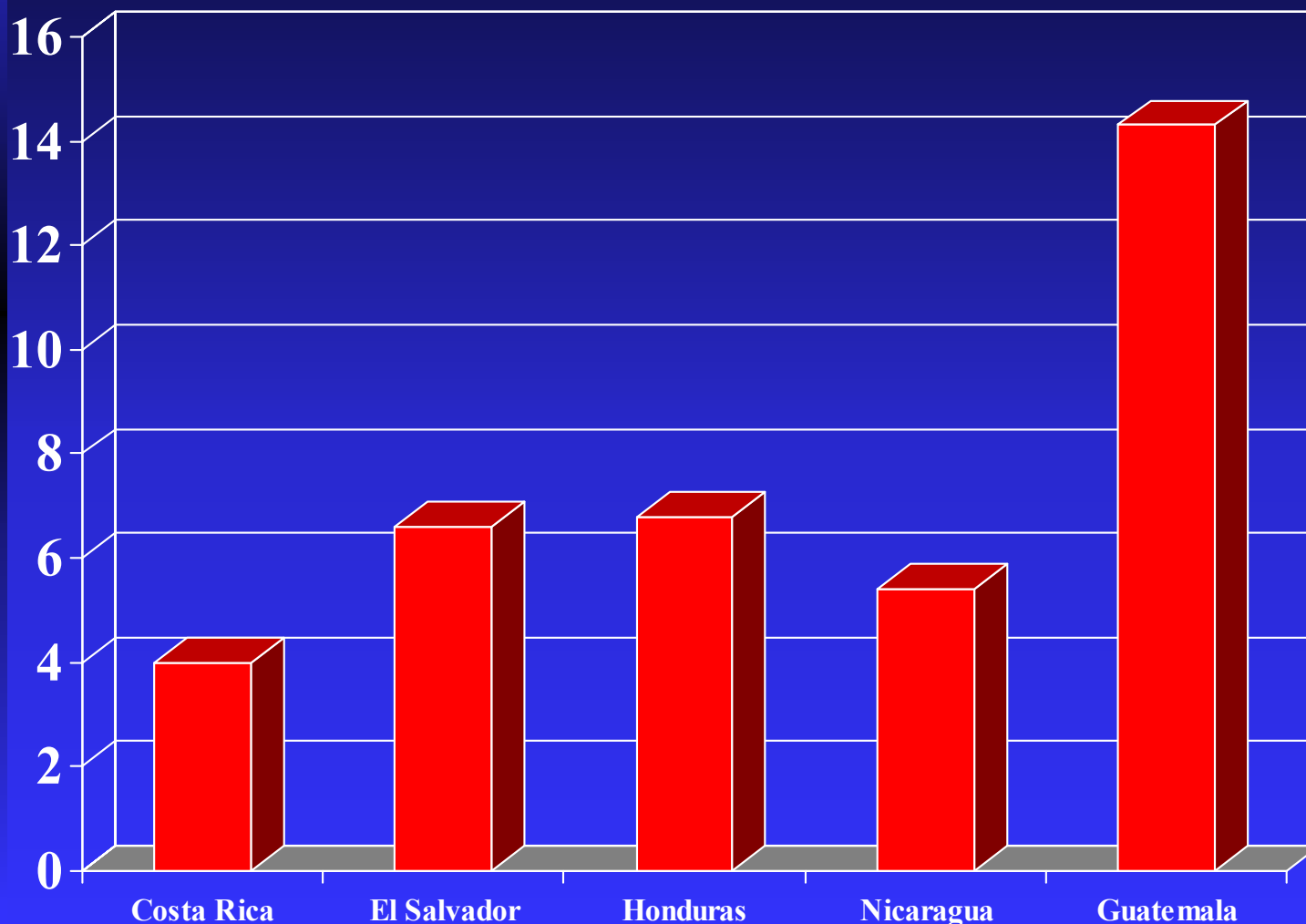
# CAFTA Region at a Glance

- 16<sup>th</sup> Largest Market for 2005 U.S. Exports (13<sup>th</sup> Including DR)
- U.S. Exports = \$12.1 Billion (2005)
- Market Larger than India, Russia and Indonesia Combined



# CAFTA Region at a Glance

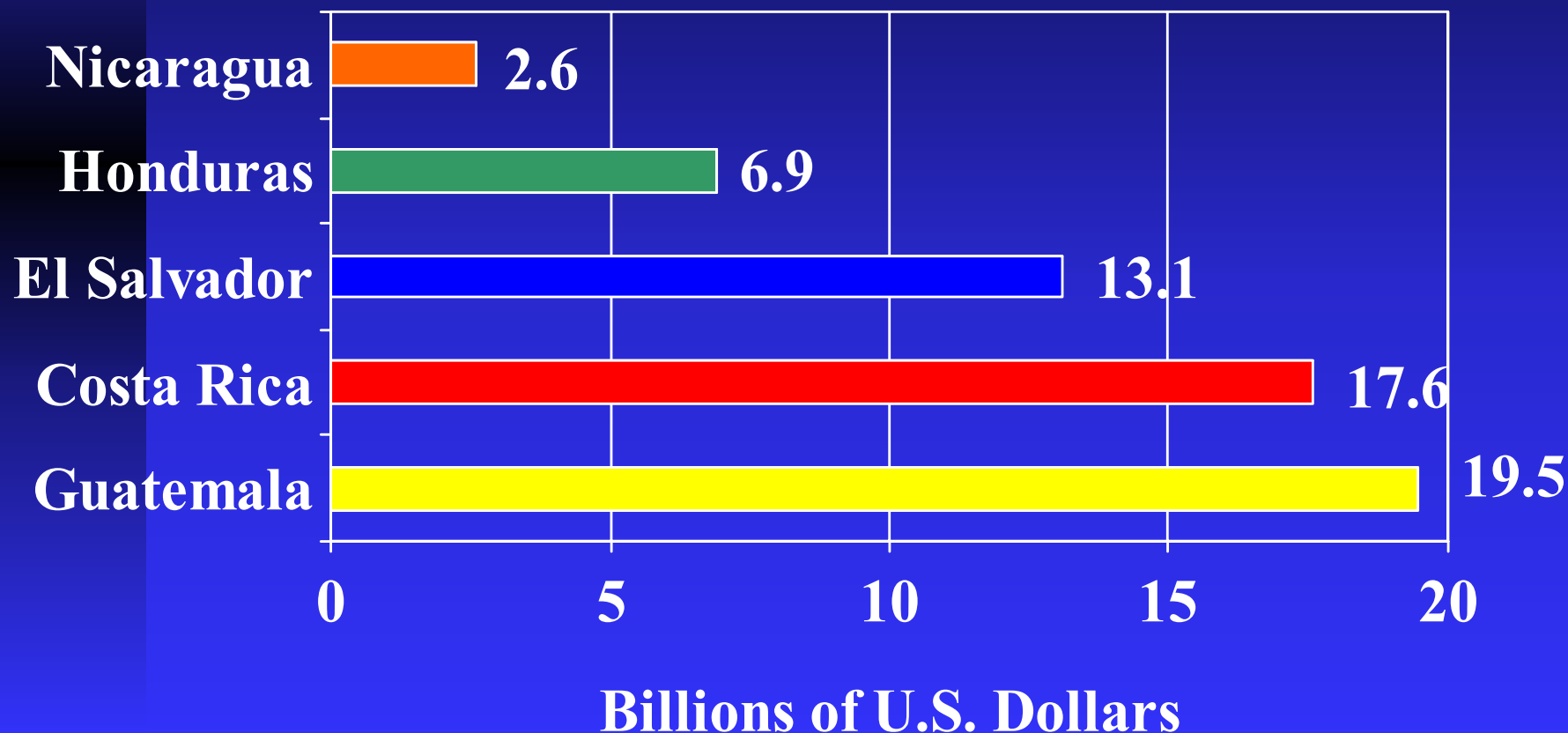
## Population (millions)



# CAFTA Region at a Glance

## Gross Domestic Product

### GDP by Country - 2004



# Why Export to Central America?

- Democratic Governments
- On-going Market Liberalization
- Growing U.S. Hispanic Population
- Proximity to U.S.
- 40-50% of Region's Imports are from the U.S.

# Myths vs. Reality: Then and Now



- Banana Republics
- Civil War
- Political Unrest



- Limited Agricultural Economies
- Economic Instability

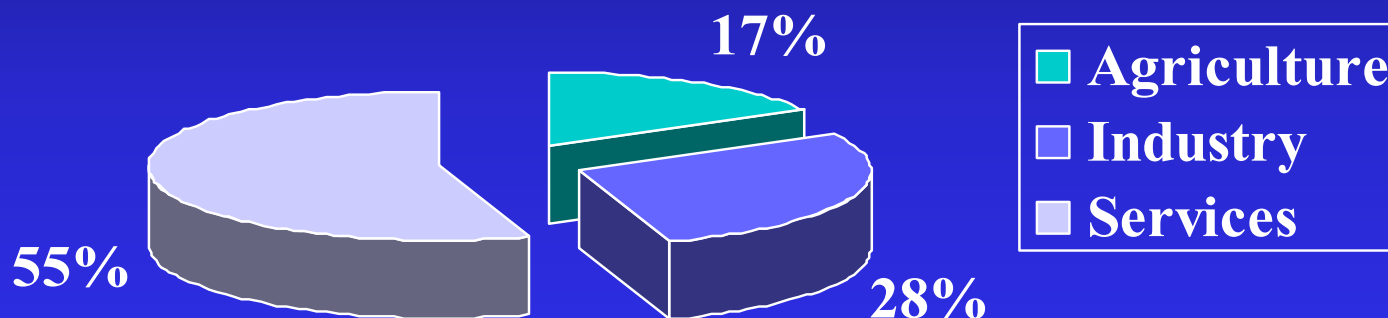
# Myths vs. Reality: Then and Now

- High-Tech Corridors
- Tourism and Services
- Development of Non-Traditional Sectors
- Stable Democracies
- Sustainable Economies



# Central America: Trade Data

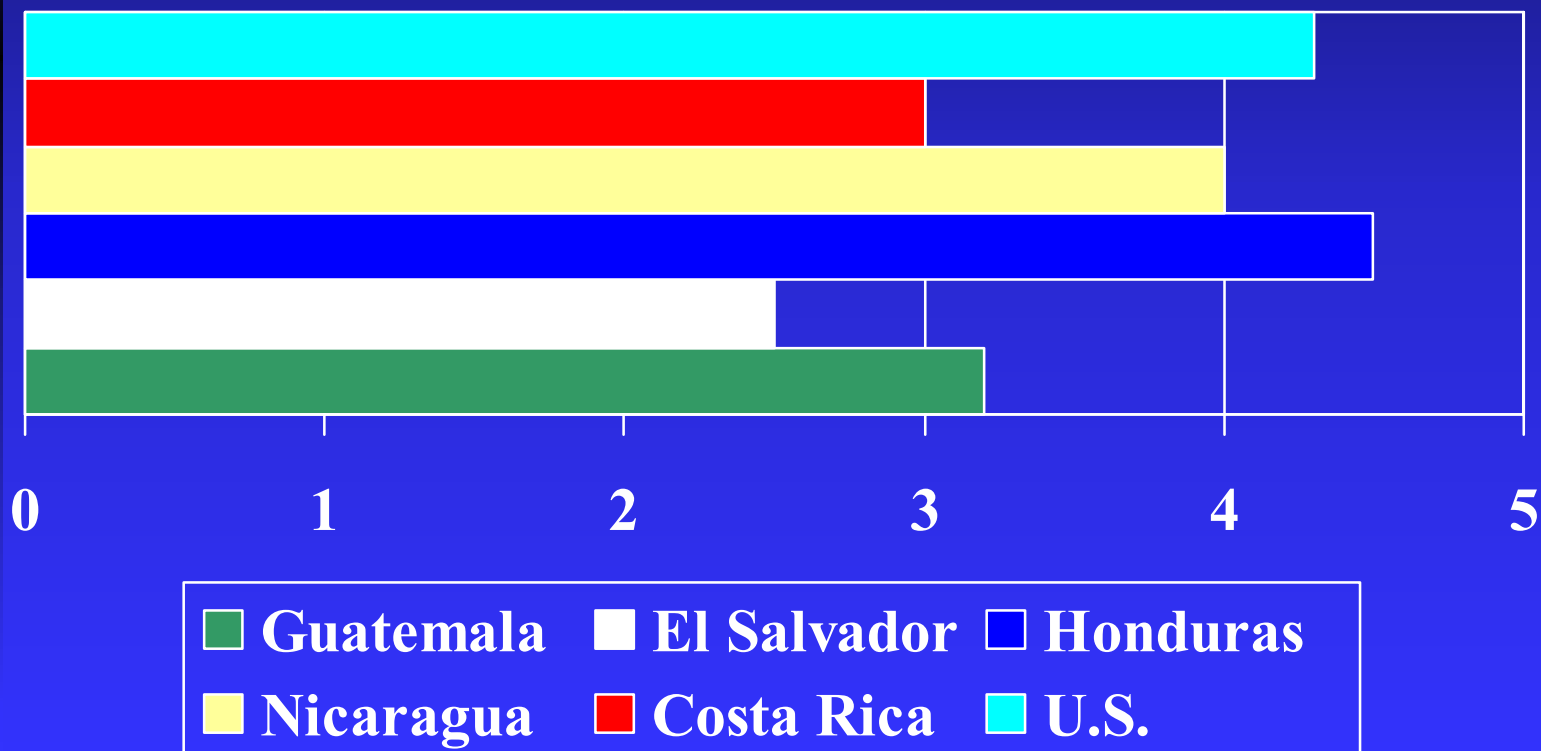
## Largest Industry Segments



# Central America: Trade Data

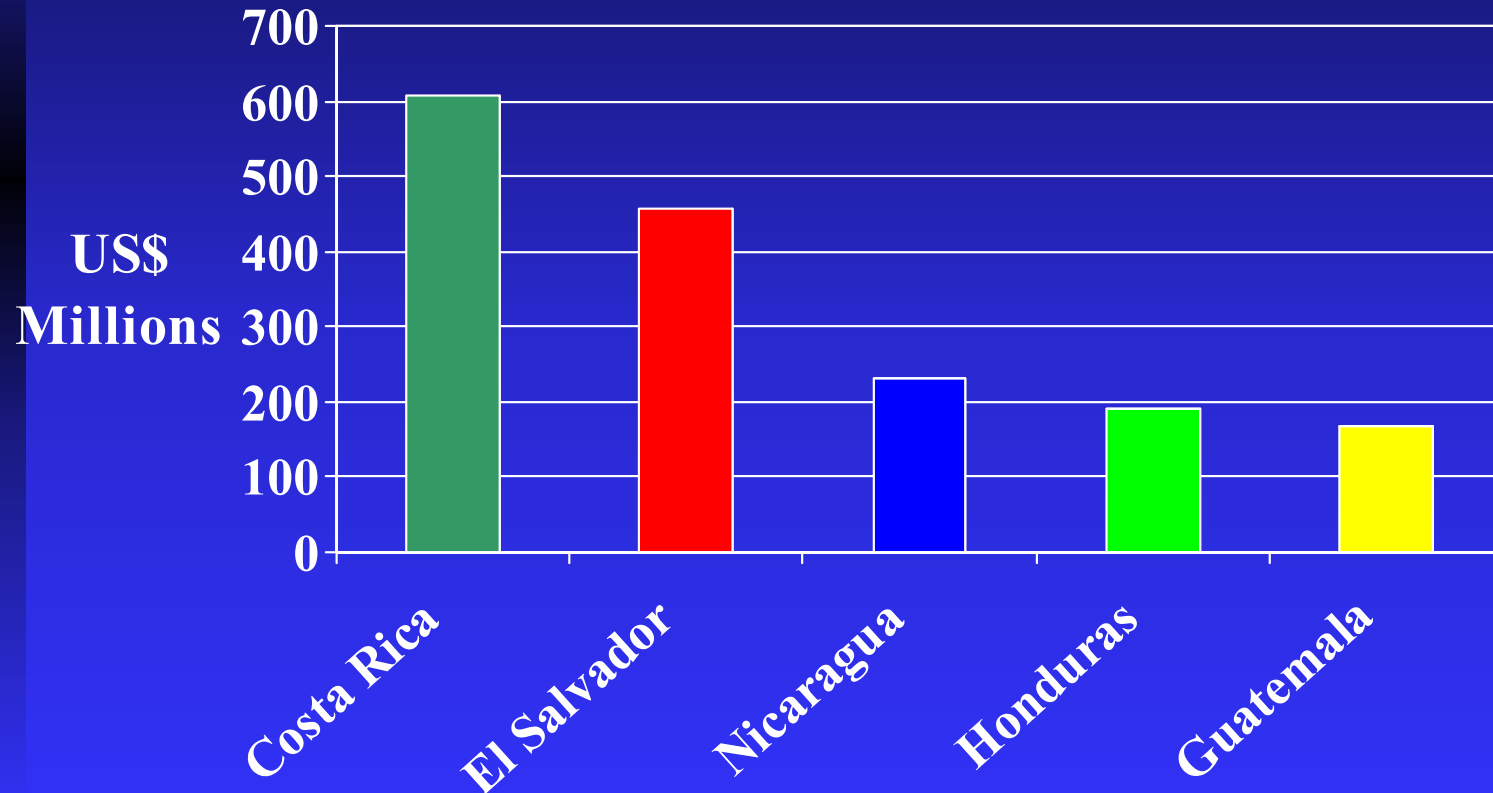
## Growth Rates - 2005

Source: UN Economic Commission for Latin America/Caribbean  
(ECLAC)



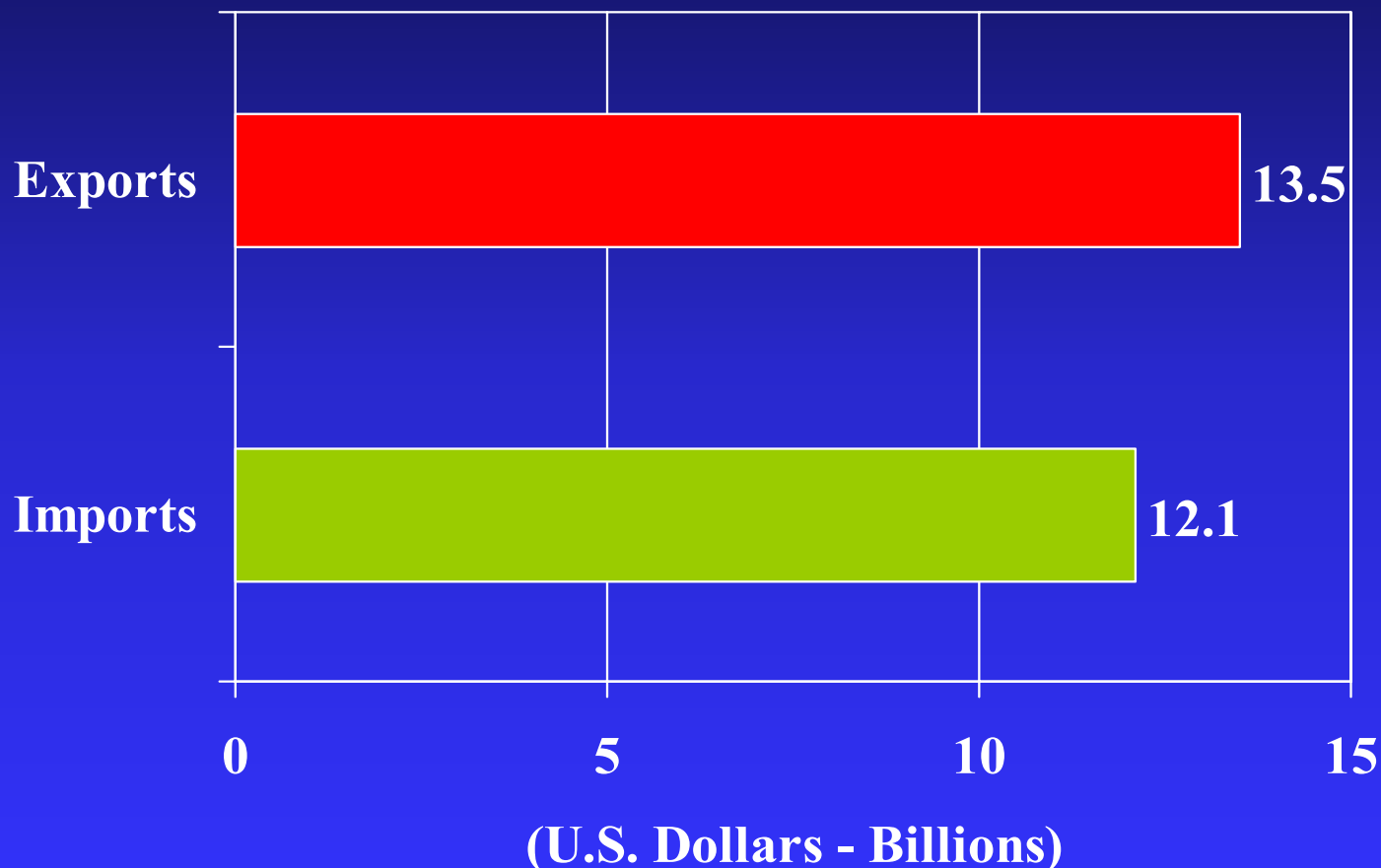
# Central America: Trade Data

## U.S. Stock of Foreign Direct Investment, 2005 E



# Central America: Trade Data

## 2004 Exports to and Imports from the U.S.



Source: U.S. Department of Commerce

# Central America: A Real Market

Source: USDOC/Census – F.A.S./Customs Basis

TOP PURCHASERS OF U.S. EXPORTS	
COUNTRY	US\$ BILL. (2005)
CANADA	211.4
MEXICO	120
BRAZIL	15.3
<b>CENTRAL AMERICA (\$11.4 bill. - 2004)</b>	(not incl DR) 12.1
MALAYSIA	10.5
ITALY	11.5
EASTERN EUROPE (22 COUNTRIES)	(2004) 9.1
SPAIN	6.9
CHILE	5.2

# The CA-5: Guatemala

- Largest Economy in Central America
- Economy Nearly Completely Privatized
- Tax Collections are about 10% of GDP
- Tariffs are Relatively Low (1-17%)  
for Almost All Products;  
VAT is 12%



# The CA-5: Costa Rica

- Highly-Educated Workforce
- Politically Stable
- Booming Tourism Industry
- Privatization Limitations
- 95% Literacy Rate
- Small Population but High GDP & FDI
- Sector Openings Expected Under CAFTA-DR



# The CA-5: Honduras



- U.S. Accounts for 50% of All Foreign Trade
- U.S. has 40% of FDI in Honduras
- Maquiladora Industry: 15% of GDP and 11% of Exports
- Puerto Cortes: Largest Port in Central America
- Four International Airports

# The CA-5: El Salvador

- Smallest Country in Central America; Densely Populated
- Over 1.5 Million Salvadorans Live in the U.S.
- Foreign Trade Grew 400% between 1992-2000
- Aggressive Trade Policy = Rapid Economic Development
- Dollarized Economy



# The CA-5: Nicaragua

- Safest Country in Central America
- Price Controls Phased-out
- Privatization
- Rich in Natural Resources
- Lack of Diversity in Sector Development
- CAFTA-DR – Big Boost?



# Central America is an Open Market

- Tariffs are Relatively Low (1-17%)
- VAT Average - 12%
- Almost No Import Restrictions
- Standards are Similar to the U.S.
- Labeling/Testing not Typically a Problem
- Variety of Qualified Agents and Distributors Available
- Growing English Use in Business

# CAFTA-DR:

## U.S. Benefits

- Comprehensive, reciprocal trade agreement; not unilateral like CBI/CBTPA
- More than 80% of U.S. manufactured exports duty-free immediately; remaining over 10 years
- Market access to the services market, such as telecommunications & insurance
- Moving toward a better business and investment climate – transparency, procurement, investment protection

# CAFTA-DR: Regional Benefits

- Better Access to Central American Market
  - ◆ *Improved Movement of Goods within CA-5;  
Customs Reforms*
- Larger Availability and Quality of Products for Consumers
- Enforcement of Labor Rights
- Protection of Environment
- Better Investment Climate



# CAFTA-DR:

## What's Happening?

- U.S. firms have regionalized operations
  - ◆ Procter & Gamble, Abbott Labs
- Central American firms are regionalizing
  - ◆ La Fragua/Pais of Guatemala; Grupo Roble; Banco Cuscatlan of El Salvador; TACA; BAC/GE and Banco Uno of Nicaragua; Copa of Panama
- Regionalization: Power Grid; Customs; Highway Integration; Security
- Countries Negotiating as a Group

# CAFTA Benefits

## Industrial Machinery

- 2004 Exports to CAFTA-DR: \$ 935 million
- 92% of Capital Goods exports duty-free immediately
- One-way free access → Two way
- NAM: \$1 Billion in additional U.S. manufactured goods exports.

# CAFTA-DR:

## What's Happening?

- August 2, 2005: President Bush signed implementing legislation after Congressional approval in July
- March 1, 2006: CAFTA Entry into force with El Salvador implementation
- Coming months: “Rolling admissions” process
  - ◆ Honduras, Guatemala, Nicaragua
- Costa Rica: new Administration, pending in Legislative Assembly



# A Sampling of our Services in Central America

- **Gold Key Service**
- **International Partner Searches**
- **International Buyer Programs**
- **Platinum Key Service**
- **Customized Market Research**
- **International Sector Analyses / Market Insights**
- **Contact Lists**
- **Advocacy**
- **International Company Profiles**
- **In-Depth Counseling of U.S. Firms**
- **Country Commercial Guide 2006 (January)**



# CS Central America: On the Horizon

## RECENT / UPCOMING EVENTS

- Secretary of Commerce CAFTA Trade Mission Oct. 2005
- AAIW Automotive Industry Week IBP, Las Vegas Nov. 2005
- ExpoManufactura (NAFTA-CAFTA), Monterrey Mar. 2006
- Enterprise Florida CAFTA Roadshow-Misc Cities Mar. 2006
- State of Alabama Trade **Mission**, Guatemala Mar. 2006
- Gulf States World Trade Conference, Pensacola Apr. 2006
- Enterprise Florida Trade Mission, Guatemala May 2006
- Central America Retail Promotion Late 2006



## Central America

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## Welcome!

### Who are we?

The U.S. Commercial Service in Central America, provides assistance to U.S. companies wishing to enter the different markets in the area. Our mission is:

- To promote the export of goods and services from the U.S.;

- To protect U.S. business interests abroad;

- To assist small and medium-sized companies to achieve export success;

Our business philosophy is to provide timely, relevant, customized business solutions.

Each of our offices in Central America provides a combination of cost-effective core and specialized services including market identification and entry programs, market expansion services, and market access and development activities.

Click here to see [Our Offices in Central America](#)

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# Other Useful Contact Information

- *Office of the United States Trade Representative*

Website: [www.ustr.gov](http://www.ustr.gov)

- *Business Coalition for U.S.-Central America Trade*

Website: [www.uscafta.org](http://www.uscafta.org)

- *U.S. Commercial Service in Central America*

Website: [www.buyusa.gov/centralamerica/en](http://www.buyusa.gov/centralamerica/en)

- *Trade Compliance Center, U.S. Dept. of Commerce*

Website: [www.tcc.mac.doc.gov](http://www.tcc.mac.doc.gov)

- *USDOC CAFTA Website*

Website: [www.ita.doc.gov/cafta](http://www.ita.doc.gov/cafta)

# IMPRESSIONS/ CONCLUSIONS

- Major Market – and Growing
- Proximity to the U.S.
- CAFTA: Lower tariffs, more opportunities

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